19. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1996

The following three parts of this chapter compare the actual total receipts, outlays, and deficit for 1996 with the current services estimates[1] shown in the *FY 1996 Budget* published in February 1995. The fourth part of this chapter shows additional details for a comparison of mandatory and related programs, and the final part reconciles actual receipts, outlays, and deficit totals for 1996 previously published by the Department of the Treasury with those in this budget.

In this chapter the initial estimates of both receipts and outlays for 1996 have been adjusted upward by $0.9 billion as a result of the reclassification of the Federal Communications universal service fund as budgetary. The initial estimates shown here are therefore higher than originally published in February 1995.

Receipts

Receipts in 1996 were $1,453.1 billion, which is $33.6 billion greater than the current services estimate of $1,419.4 billion in the 1996 Budget. As shown in Table 19–1, this increase was the net effect of legislative, administrative and regulatory changes; economic conditions that differed from what had been expected; and different collection patterns and effective tax rates than had been assumed.

Policy differences.—Six laws enacted after February 1995 affected 1996 receipts: Self-Employed Health Insurance Act; Tax Benefits for Members of the Armed Forces Performing Peacekeeping Services in Bosnia and Hercegovina, Croatia, and Macedonia; Taxpayer Bill of Rights 2; Personal Responsibility and Work Opportunity Reconciliation Act of 1996; Health Insurance Portability and Accountability Act of 1996; and Small Business Job Protection Act. In total, these changes decreased 1996 receipts by a net $0.2 billion.

Economic differences.—Differences between the economic assumptions upon which the current services estimates were made and actual economic performance accounted for a net increase in 1996 receipts of $28.8 billion. Individual income taxes were higher than expected by $17.0 billion, in large part attributable to increases in wages and salaries and non-wage sources of income relative to the budget forecast. Increases in wages and salaries relative to the budget forecast were also responsible for the $4.3 billion increase in social insurance taxes and contributions. Higher than expected corporate profits increased corporation income taxes $11.8 billion above the budget forecast. Lower than anticipated interest rates, which affect deposits of earnings by the Federal Reserve, reduced miscellaneous receipts by $2.3 billion and lower than expected imports reduced customs duties by $2.2 billion.

Technical reestimates.—Different collection patterns and effective tax rates than had been assumed in February 1995 were primarily responsible for the decrease in social insurance taxes and contributions of $4.3 billion and the increases in individual and corporation income taxes of $12.9 billion and $2.7 billion, respectively. Different effective tax rates than had been assumed, reflecting different distributions of imports and purchases among taxable products, are in large part responsible for the decreases in customs duties and excise taxes, respectively. Decreased deposits of

[1] The current services concept is discussed in Chapter 16: “Current Services Estimates.” For mandatory programs and receipts the February 1995 current services estimate is based on current law. For discretionary programs the February 1995 current service estimate is based on the prior year estimates adjusted for inflation.

Table 19–1. COMPARISON OF ACTUAL 1996 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current services estimate (Feb. 1995)	Legislative, regulatory and administrative changes	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	626.9	–0.4	17.0	12.9	29.5	656.4
Corporation income taxes	157.2	0.2	11.8	2.7	14.7	171.8
Social insurance taxes and contributions	509.4	–*	4.3	–4.3	*	509.4
Excise taxes	57.3	–*	0.3	–3.6	–3.3	54.0
Estate and gift taxes	16.8	....	–0.1	0.5	0.4	17.2
Customs duties	22.3	....	–2.2	–1.4	–3.7	18.7
Miscellaneous receipts	29.6	....	–2.3	–1.8	–4.1	25.5
Total	**1,419.4**	**–0.2**	**28.8**	**5.0**	**33.6**	**1,453.1**

*$50 million or less.

earnings by the Federal Reserve, attributable to lower-than-expected asset values on securities denominated in foreign currencies, accounted for most of the $1.8 billion decrease in miscellaneous receipts.

Outlays

Outlays for 1996 were $1,560.3 billion. This was $59.7 billion less than the $1,620.0 billion current services estimate in the initial 1996 Budget (February 1995).

Table 19–2 distributes the $59.7 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of actions by the Congress or the Administration that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 1996, policy changes decreased outlays an estimated $10.5 billion relative to the initial current services estimates.

Policy changes reduced discretionary outlays $13.7 billion because final appropriations were below the initial current services estimates. Policy changes increased mandatory outlays $3.5 billion above current law. Most of this was the result of increases of $2.6 billion for the Farm Bill. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in February 1995 resulted in a net outlay decrease of $24.1 billion. Outlays for mandatory programs decreased an estimated $9.0 billion. Lower than expected unemployment rates decreased outlays an estimated $4.1 billion due to the effects on unemployment benefits and income support programs such as food stamps. Lower than expected inflation decreased outlays an estimated $4.6 billion, largely due to the effect on Social Security and, to a lesser extent, Medicare and Medicaid. The remaining major decrease was for Federal student loans due to lower than expected interest rates. Outlays for net interest decreased an estimated $15.1 billion due to lower than expected interest rates and lower debt service due to economic changes on receipts and outlays.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, bank failures, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $25.2 billion. The largest decreases were for agricultural price support programs, Medicare, Social Security, Medicaid, and deposit insurance.

Table 19–2. COMPARISON OF ACTUAL 1996 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1995) [1]	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	269.7	–6.9	....	3.1	–3.8	266.0
Nondefense	282.5	–6.8	....	–7.3	–14.1	268.4
Subtotal, discretionary	552.2	–13.7	....	–4.1	–17.9	534.4
Mandatory:						
Deposit insurance	–6.2	....	....	–2.2	–2.2	–8.4
Other programs	817.1	3.5	–9.0	–18.4	–23.8	793.3
Subtotal, mandatory	810.9	3.5	–9.0	–20.6	–26.0	784.9
Net interest	256.9	–0.3	–15.1	–0.5	–15.9	241.1
Total outlays	**1,620.0**	**–10.5**	**–24.1**	**–25.2**	**–59.7**	**1,560.3**

[1] To be consistent with the conceptual basis of the actual amounts, the total includes $0.9 billion for the universal service fund in mandatory and shifts $2.3 billion from discretionary to mandatory, primarily for transportation programs.

Table 19–3. COMPARISON OF THE ACTUAL 1996 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1995)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	1419.4	–0.2	28.8	5.0	33.6	1453.1
Outlays	1620.0	–10.5	–24.1	–25.2	–59.7	1560.3
Deficit	**–200.6**	**10.3**	**52.9**	**30.1**	**93.3**	**–107.3**

Note: Deficit changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1996. This section combines these effects to show the net impact of these differences on the deficit.

As shown in Table 19–3, the 1996 current services deficit was initially estimated to be $200.6 billion. The actual deficit was $107.3 billion, which was $93.3 billion less than the initial estimate. Receipts were $33.6 billion more than the initial estimate, and outlays were $59.7 billion less. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy decreases for receipts and outlays decreased the deficit $10.3 billion.

Economic conditions that differed from the initial assumptions in February 1995 accounted for an estimated $52.9 billion decrease in the deficit— the combined effect of an increase in receipts of $28.8 billion and a decrease in outlays of $24.1 billion. Technical estimating and other differences decreased the deficit by an estimated $30.1 billion. This was due to a decrease in outlays of $25.2 billion and an increase in receipts of $5.0 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1996

This section compares the original 1996 outlay estimates for mandatory and related programs under current law in the 1996 Budget (February 1995) with the actual outlays. Mandatory and related programs are programs with permanent spending authority that is generally controlled by authorizing legislation rather than by annual appropriations. Outlays for these programs depend primarily on eligibility criteria and benefit levels established in law, such as Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, or deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 19–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1996		
	February 1995 estimate [1]	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	15.6	13.9	–1.7
Health:			
Medicaid	96.0	92.0	–4.0
Other	4.8	4.8	*
Total health	100.8	96.8	–4.0
Medicare	174.8	171.3	–3.5
Income security:			
Retirement and disability	71.7	72.8	1.2
Unemployment compensation	23.2	22.6	–0.6
Food and nutrition assistance	35.8	33.7	–2.1
Other	62.6	58.9	–3.8
Total, income security	193.3	188.0	–5.3
Social security	351.4	347.1	–4.4
Veterans benefits and services:			
Income security for veterans	17.8	18.2	0.4
Other	1.3	0.6	–0.6
Total veterans benefits and services	19.1	18.8	–0.3
Total mandatory human resources programs	855.0	835.8	–19.1
Other functions:			
Agriculture	9.5	5.0	–4.5
Deposit insurance	–6.2	–8.4	–2.2
Other	–5.9	–10.0	–4.0
Total, other functions	–2.7	–13.3	–10.7
Undistributed offsetting receipts:			
Employer share, employee retirement	–34.1	–33.5	0.6
Rents and royalties on the outer continental shelf	–3.0	–3.7	–0.7
Other undistributed offsetting receipts	–4.3	–0.3	3.9
Total undistributed offsetting receipts	–41.4	–37.6	3.8
Total, mandatory	810.9	784.9	–26.0
Net interest:			
Interest on the public debt	363.8	344.0	–19.9
Interest received by trust funds	–98.1	–97.4	0.8
Other interest	–8.7	–5.5	3.2
Total net interest	256.9	241.1	–15.9
Total outlays for mandatory and net interest	**1,067.8**	**1,026.0**	**–41.9**

[1] To be consistent with the conceptual basis of the actual amounts, the total includes $0.9 billion for the universal service fund in mandatory and shifts $2.3 billion from discretionary to mandatory, primarily for transportation programs.

Table 19–4 shows the differences between the actual outlays for these programs in 1996 and the amounts originally estimated in the 1996 Budget, based on laws in effect at that time. (The list of programs is similar to the list in Table 14–3 in Chapter 14, "Review of Direct Spending and Receipts," in this volume. This table provides the estimates through 2002.) Actual outlays for mandatory spending and net interest in 1996 were $1,026.0 billion, which was $41.9 billion less than the initial estimate of $1,067.8 billion, based on existing law in February 1995.

Actual outlays for mandatory human resources programs were $835.8 billion, $19.1 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

Outlays for other functions were $10.7 billion less than originally estimated. The largest decrease was for mandatory agricultural programs ($4.5 billion), which resulted largely from higher than expected crop prices, which reduces Federal subsidies.

Outlays for net interest were $241.1 billion or $15.9 billion less the original estimate. This decrease was largely the effect of lower than assumed interest rates and lower borrowing requirements due to a lower than originally estimated deficit.

Reconciliation of Differences with Amounts Published by Treasury for 1996

Table 19–5 provides a reconciliation of the receipts, outlays, and the deficit totals published by the Department of the Treasury in the U.S. Government Annual Report for 1996 and those published in this budget. Receipts and outlays are $0.3 billion higher than previously reported by the Department of the Treasury. Most of the receipt and outlay difference is the result of inclusion of United Mine Workers of America benefit funds in the budget totals.

Table 19–5. RECONCILIATION OF FINAL AMOUNTS FOR 1996

(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30, 1996 Monthly Treasury Statement)	1,452,763	1,560,094	107,331
Miscellaneous Treasury adjustments	....	–54	–54
Totals published by Treasury in U.S. Government Annual Report	1,452,763	1,560,040	107,277
Adjustments, net:			
United Mine Workers of America benefit funds	304	304	....
Other	–5	–14	–9
Total adjustments, net	299	290	–9
Totals in the budget	**1,453,062**	**1,560,330**	**107,268**
MEMORANDUM:			
Total change since September 30, 1996	299	236	–63